

Minutes of the New Jersey Health Care Facilities Financing Authority Special Meeting held on April 8, 2008 on the fourth floor of Building #4, Station Plaza, 22 South Clinton Avenue, Trenton, New Jersey.

The following **Authority Members** were in attendance:

Gus Escher, Public Member (Chairing as Vice Chairman); Maryann Kralik, Designee of the Commissioner of Banking and Insurance; Eileen Stokley, Designee of the Commissioner of Human Services (via telephone); and William Conroy, Designee of the Commissioner of Health and Senior Services (via telephone).

The following **Authority staff members** were in attendance:

Mark Hopkins, Jim Van Wart, Steve Fillebrown, Carole Conover, Bill McLaughlin, Suzanne Walton, Susan Tonry, and Lou George.

The following **representatives from State offices and/or the public** were in attendance:

Karen Lumpp, Atlantic Health System; Gary Walsh, Esq., Windels Marx Lane & Mittendorf; Mike Sorelle, Grant Thornton; Mike Marcus, Goldman Sachs & Company; and, Rubin Weiner, Deputy Attorney General.

### ***CALL TO ORDER***

Mr. Escher called the meeting to order at 10:02 a.m. and announced that this was a special meeting of the Authority. In compliance with the provisions of the Open Public Meetings Act and the Authority's By-laws, notice of this meeting was delivered to all newspapers with mailboxes at the Statehouse, including *The Star-Ledger* and the *Courier Post*, enough in advance to permit the publication of an announcement at least 48 hours before the meeting.

### ***TEFRA HEARING & CONTINGENT BOND SALE***

#### ***Atlantic Health System***

Mr. Escher announced that the following portion of the meeting will be considered a public hearing in connection with the proposed issuance of bonds on behalf Atlantic Health System. This hearing is taking place in accordance with the public notice and approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

Project Manager Lou George introduced Karen Lumpp, Corporate Director of Special Projects at Atlantic Health System. He indicated that today he would be requesting the Members' consideration of a contingent sale of bonds in an amount not to exceed \$380 million on behalf of AHS Hospital Corp ("AHS").

He reminded the Members of the problems in the auction rate market and the auction failures. These failures triggered interest rate increases which, in some cases, went as high as 18%. AHS has approximately \$348 million of auction rate debt outstanding represented by Series 2003, 2004, 2006, and 2007 bonds issued through the

Authority. Because of the timing situation, AHS obtained bridge loans from the Bank of America and JPMorgan Chase Bank to redeem their outstanding auction rate securities.

Concurrently, in pursuing the redemption, AHS requests that the Authority issue approximately \$360 million of fixed and variable rate debt. The proceeds of this debt would be used to: (a) refinance the bank bridge loans, (b) fund any debt service reserve funds that may be required, and (c) pay the related costs of issuance including any bank letters of credit fees for the variable rate portion of the debt.

Mr. George stated that the Series 2008 bonds would be sold as a public offering of both fixed and variable rate bonds that, in the aggregate, would not exceed \$380 million.

For this transaction, staff requests two separate resolutions: a Series Resolution for the fixed rate portion and a Bond Resolution for the variable rate portion of the refunding debt. Further, he noted that the anticipated bond size would be approximately \$360 million with 50% of the debt issued as fixed rate debt and 50% as variable rate debt. The fixed rate bonds would be issued in minimum denominations of \$5,000 while the variable rate bonds will be issued in minimum denominations of \$100,000 and \$5,000 multiples in excess thereof.

AHS currently has ratings of "A2" from Moody's and "A+" from Standard & Poor's. The fixed rate debt would be issued on AHS' stand-alone credit. The variable rate debt would be issued on the credit of the Bank of America and JPMorgan Chase, both of whom possess short term ratings of "P-1" from Moody's and "A-1+" from Standard & Poor's.

He noted that AHS provided projections for 2008 and 2009 which were reviewed by staff and included in the mailing packet. Mr. George then asked if the Members have any questions on these projections or the proposed transaction.

Lastly, Mr. George noted that many banks are balking at the Authority having sole discretion in the appointment of a successor remarketing agent and are asking for some input into the process. Accordingly, included in the Trust Agreements for both series of the proposed variable rate debt transactions is language that "The appointment of a successor remarketing agent shall be subject to the consent of the Bank provided that such consent shall not be unreasonably withheld and such consent does not violate any Authority policy then in effect to comply with State or Federal law, rules or regulations or any Executive Orders".

Mr. Escher introduced Gary Walsh of Windels Marx Lane & Mittendorf to provide an overview of both the Series Resolution and the Bond Resolution.

#### SERIES RESOLUTION

Gary Walsh, Esq., of Windels Marx Lane & Mittendorf, LLP stated that the Series Resolution authorizes the issuance of the tax-exempt Series 2008 Bonds in an aggregate principal amount, (which includes both the fixed rate bonds authorized by this Series Resolution and the variable rate bonds to be considered in the Bond Resolution presented to this meeting), exclusive of original discount, not in excess of \$380,000,000, at an interest cost not to exceed 8% and an Underwriter's Discount not to exceed \$8.00 per \$1,000 of Series 2008 Bonds. The Series 2008 Bonds will have a final maturity date of no later than July 1, 2036 and the Redemption price on the Bonds will not exceed 106%. The Series 2008 Bonds are payable from payments to be made by AHS Hospital Corp. under a Loan Agreement together with investment income held by the Trustee.

The obligation to repay the loan will be evidenced by a Note issued pursuant to a Master Trust Indenture and Supplemental Indenture, which Note will be secured by a pledge of gross receipts from the members of the obligated group.

In addition, the Series Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on July 23, 2008. The Series Resolution also approves the distribution of and “deemed final” nature of the Preliminary Official Statement, the form of the Bonds, Official Statement, Loan Agreement and Bond Purchase Contract. The Series Resolution also appoints Commerce Bank, National Association as Trustee, Bond Registrar, and Paying Agent for the Series 2008 Bonds. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other action as may be necessary or appropriate to effectuate the execution and delivery of the Loan Agreement, the Bond Purchase Contract and the issuance and sale of the fixed rate Series 2008 Bonds.

Mr. Escher asked the Members’ pleasure with respect to the adoption of the Series Resolution. Ms. Kralik moved that the document be approved. Ms. Stokley seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. HH-117**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Series Resolution entitled, “A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, AHS HOSPITAL CORP. ISSUE, SERIES 2008A (FIXED RATE).”

#### **BOND RESOLUTION**

Gary Walsh, Esq., of Windels Marx Lane & Mittendorf, LLP stated that the Variable Rate Bond Resolution authorizes the issuance of the tax-exempt Series 2008 Bonds in an aggregate principal amount, (which includes both the variable rate bonds authorized by this Bond Resolution and the fixed rate bonds previously authorized at this meeting pursuant to the Series Resolution), exclusive of original discount, not in excess of \$380,000,000, at an interest cost not to initially exceed 8% and an Underwriter’s Discount not to exceed \$8.00 per \$1,000 of Series 2008 Bonds. The Series 2008 bonds will have a final maturity date of no later than July 1, 2036 and the Redemption price on the Bonds will not exceed 106%. The Series 2008 Bonds are payable from payments to be made by AHS Hospital Corp. under a Loan Agreement together with investment income held by the Trustee. The obligation to repay the loan will be evidenced by a Note issued pursuant to a Master Trust Indenture and Supplemental Indenture, which Note will be secured by a pledge of gross receipts from the members of the obligated group.

In addition, the Bond Resolution approves the form of and authorizes the execution of a Bond Purchase Contract prior to close of business on July 23, 2008. The Bond Resolution also approves the distribution of and “deemed final” nature of the Official Statement, the form of the Bonds, Trust Agreements, Loan Agreements and Bond Purchase Contract. The Bond Resolution also appoints Commerce Bank, National Association as Trustee, Bond Registrar, and Tender Agent for the Series 2008 Bonds and Goldman, Sachs & Co. as the Remarketing Agent. In addition, it authorizes the Authorized Officers to execute and deliver such other documents and to take such other

action as may be necessary or appropriate to effectuate the execution and delivery of the Trust Agreements, Loan Agreements, the Bond Purchase Contract and the issuance and sale of the variable rate Series 2008 Bonds.

Mr. Escher asked the Members' pleasure with respect to the adoption of the Bond Resolution. Ms. Kralik moved that the document be approved. Mr. Escher seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. HH-118**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the Bond Resolution entitled, "A RESOLUTION AUTHORIZING THE ISSUANCE OF NEW JERSEY HEALTH CARE FACILITIES FINANCING AUTHORITY REVENUE BONDS, AHS HOSPITAL CORP. ISSUE, SERIES 2008B (VARIABLE RATE) AND SERIES 2008C (VARIABLE RATE)."

#### **Co-Managers**

Mark Hopkins reminded the Members that the Authority's policy "reserves the right to select firm(s), from its qualified list, to serve as co-managing underwriter(s) for its financings. Co-manager(s) will be selected by the Authority, based on demonstrated ability to distribute New Jersey securities of comparable credit quality, sufficient capital to participate in underwriting the issue, and borrower preference(s)."

AHS selected Goldman Sachs & Co. as Senior Managing Underwriter for both of the 2008 series of bonds. AHS also requested that JPMorgan Chase and Bank of America Securities be considered as co-managers for the fixed rate bonds. Based on the type and size of the AHS transaction, Mr. Hopkins stated that staff recommends also appointing the following two co-managers for the fixed rate bonds, in addition to the two requested by AHS: David Lerner Associates and Popular Securities. These four co-managers meet the Authority's selection criteria.

Ms. Stokley moved to appoint Bank of America Securities, David Lerner Associates, JPMorgan Chase and Popular Securities to serve as co-managers for the AHS transaction, as recommended by staff. Ms. Kralik seconded. The vote was unanimous and the motion carried.

#### **AB RESOLUTION NO. HH-119**

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby appoints Bank of America Securities, David Lerner Associates, JPMorgan Chase and Popular Securities to serve as co-managers for the Atlantic Health System transaction.

Ms. Lumppp thanked the Authority for working with Atlantic Health System to complete this financing. Mr. Escher wished Atlantic Health System luck with the sale and then closed the public hearing required by Section 147(f) of the Internal Revenue Code of 1986, as amended.

### **Expedited Review**

Mr. Escher stated that Atlantic Health System requests an expedited review of this portion of the minutes. Mr. Escher made a motion authorizing the Assistant Secretary to execute a certified copy of minutes from the portion of the meeting to be forwarded to the Governor for his consideration of these actions; Ms. Stokley seconded. The vote was unanimous and the motion carried.

### ***Approval of Negotiated Private Placement IJKG Propco, Inc.***

Mr. Hopkins reminded the Members that, earlier this year, IJKG Propco Inc. had submitted a Memorandum of Understanding for a proposed issuance of bonds in an amount expected to total approximately \$34 million. Based on this Memorandum of Understanding, the Authority approved the pursuit of a negotiated sale on IJKG Propco's behalf at the January 24, 2008 meeting.

The Authority's policy states that, in compliance with Executive Order No. 26, the borrower maintains the option to determine whether to issue bonds through a private placement or a public offering. Borrowers seeking a private placement must present to the Authority, in writing, the reason(s) why a private placement would be more beneficial for the transaction.

IJKG Propco submitted such a letter to the Authority demonstrating sufficient evidence in support of a private placement as the best method to issue the bonds. This letter had been distributed to the Members for today's meeting. Based on this information, staff recommends approving the use of a private placement for a bond issue currently being structured on IJKG Propco's behalf. Mr. Hopkins noted that, if approved, the Authority's authorization shall be sent to the State Treasurer as required by the Authority's procedures pursuant to Executive Order No. 26.

Ms. Stokley questioned whether the issue size of \$35 million should be noted in the Resolution. Mr. Hopkins stated that it is assumed based on the reference in the resolution to the "bond issue currently being structured". Ms. Stokley stated that she would defer to the opinion of Authority counsel. Mr. Weiner agreed that it is implied in the resolution and noted that it is better not to include the issue size as it could change.

Ms. Kralik moved to approve the use of a private placement for the structuring of a bond issue on behalf of IJKG Propco, Inc.; Mr. Escher seconded. The vote was unanimous and the motion carried.

### **AB RESOLUTION NO. HH-120**

**WHEREAS**, The Authority's policy states that, in compliance with Executive Order No. 26, the Borrower maintains the option to determine whether to issue bonds through a private placement or a public offering, and

**WHEREAS**, Borrowers seeking a private placement must present to the Authority, in writing, the reason(s) why a private placement would be more beneficial for the transaction, and

**WHEREAS**, IJKG Propco submitted such a letter to the Authority demonstrating sufficient evidence in support of a private placement as the best method to issue the bonds,

**NOW, THEREFORE, BE IT RESOLVED**, that the Authority hereby approves the use of a private placement for a bond issue currently being structured on behalf of IJKG Propco, Inc., and

**BE IT FURTHER RESOLVED**, that the Authority's authorization for the private placement format shall be sent to the State Treasurer as required by the Authority's procedures pursuant to Executive Order No. 26.

***ADJOURNMENT***

As there was no further business to be addressed, Ms. Kralik moved to adjourn the meeting, Mr. Escher seconded. The vote was unanimous, and the motion carried at approximately 10:25 a.m.

I HEREBY CERTIFY THAT THE  
FOREGOING IS A TRUE COPY  
OF MINUTES OF THE NEW  
JERSEY HEALTH CARE  
FACILITIES FINANCING  
AUTHORITY SPECIAL MEETING  
HELD ON APRIL 8, 2008.

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Carole A. Conover  
Assistant Secretary